

Message Text

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PAGE 01 NEW DE 09979 071321Z

65

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 PA-01 PRS-01 /083 W
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R 071150Z JUL 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7003

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL CALCUTTA

AMCONSUL BOMBAY

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 9979

EO 11652: GDS

TAGS: PFOR, ETRD, IN, NP

SUBJ: INDO-NEPAL TRADE AND TRANSIT NEGOTIATIONS: FIRST
ROUND

REF: NEW DELHI 09861

1. IN A SEPARATE CONVERSATION NEPALESE ECONOMIC COUNSELOR RANA
TOLD EMBOFF JULY 6 THE FOLLOWING MAJOR POINTS (IN ADDITION
TO INFORMATION REFTEL) REGARDING THE RECENTLY CONCLUDED FIRST
ROUND OF TRADE AND TRANSIT TALKS.

2. ON TRADE MATTERS, RANA NOTED THAT NEPAL HAD PRESSED THE GOI
FOR SPECIFIC GUARANTEES ON FOUR ISSUES: A) ASSURED ACCESS
OF NEPALESE GOODS TO INDIA; B) ASSURED SUPPLY OF INDIAN
PRODUCTS TO NEPAL; C) WHICH OF THE INDIAN GOODS SUPPLIED
SHOULD BE PAID FOR IN FOREIGN CURRENCY; AND D) THE PRICES
NEPAL SHOULD PAY FOR THESE GOODS AND IN SUCH A WAY THAT
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PAGE 02 NEW DE 09979 071321Z

NEPAL WAS NOT CHARGED AT DOMESTIC INDIAN OR INTERNATIONAL

PRICES, WHICHEVER IS HIGHER, AS IS GENERALLY THE CASE AT PRESENT. THE INDIAN SIDE REFUSED TO AGREE TO SPECIFICS AND COULD ONLY GIVE THE NEPALESE GENERAL ASSURANCES ON THESE MATTERS.

3. ON TRANSIT QUESTIONS. RANA SAID THAT THE NEPALESE ASKED FOR AUTHORITY TO HANDLE NEPALESE-BOUND GOODS AT CALCUTTA, DETERMINE RAILWAY WAGON PRIORITIES AND ARRANGE FOR TRANSIT TO THE NEPALESE BORDER. HE STRESSED THAT NEPAL WAS AS EAGER AS INDIA TO PREVENT OR MINIMIZE THE LEAKAGE OF NEPALESE IMPORTS INTO INDIA BECAUSE NEPAL NEEDED THESE GOODS. ACCORDING TO RANA, THE INDIANS REFUSED THESE DEMANDS ON THE GROUNDS THAT THEY WOULD CONSTITUTE AN UNACCEPTABLE LEVEL OF EXTRATERRITORIALITY AND THAT THE NEPALESE SHOULD BE TREATED ON THE SAME BASIS AS INDIAN CITIZENS.

4. RANA SAID THAT THE GOI HAD BROUGHT UP THE PROBLEM OF SMUGGLING OF THIRD COUNTRY GOODS FROM NEPAL INTO INDIA AND CLAIMED THAT SUCH GOODS WORTH 14 MILLION RUPEES HAD ILLEGALLY CROSSED THE BORDER LAST YEAR. THE INDIANS HAD ALSO REMARKED ON THE NEED FOR NEPAL TO HAVE LESS FOREIGN TRADE WITH COUNTRIES OTHER THAN INDIA (IN ORDER TO MAKE NEPAL MORE DEPENDENT ON ITS SOUTHERN NEIGHBOR, ACCORDING TO RANA.) THE NEPALESE HAD RESPONDED THAT THEY ALSO WANTED A DECREASE IN SMUGGLING ACTIVITIES WHICH WERE NOT HELPING NEPAL, AND THEY OFFERED TO HAVE A CLOSER WORKING RELATIONSHIP AT THE BORDER BETWEEN LAW ENFORCEMENT OFFICIALS OF THE TWO COUNTRIES. RANA SAID THAT THE GOI THEN DROPPED THE MATTER. HE CLAIMED THAT INDIAN MIDDLEMEN, BUSINESSMEN AND GOVERNMENT OFFICIALS GAIN THE MOST FROM THIS SMUGGLING.

5. RANA BELIEVED THAT THE INDIANS MIGHT TRY TO STALL THE TALKS UNTIL AFTER THE EXPIRATION OF THE TREATY ON AUGUST 13 AND AFTER THE NON-ALIGNED CONFERENCE IN COLOMBO. THE PRESSURE WOULD THEN BE ON THE NEPALESE TO CONCLUDE A NEW TREATY BECAUSE THEY NEED IT MORE. THE NEPALESE WERE HOPING FOR A NEW TREATY BY AUGUST 13 AND HAD MADE THIS POINT VERY CLEAR TO THE INDIAN SIDE.

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PAGE 03 NEW DE 09979 071321Z

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